

**CITY OF OAKVILLE**  
**Grays Harbor County, Washington**  
**January 1, 1992 Through December 31, 1993**

---

**Schedule Of Findings**

---

1. Public Funds Were Misappropriated In The Municipal Court

Our audit of the financial records of the municipal court of the City of Oakville revealed that at least \$890.70 in public funds was misappropriated by one or more employees during the period October 1992 through September 1993. There were no federal funds involved in this case.

In November 1993, city officials notified the State Auditor's Office that a misappropriation of public funds had occurred in the municipal court. As a result, we performed an audit of the court to determine the extent of the loss. These funds were misappropriated as described below.

In some cases, funds were received by the city as evidenced by rediform receipts or the court docket, but were never receipted in the transaction journal nor deposited in the court's bank account. At least \$669.00 was misappropriated using this method.

In some cases, funds were received and recorded as paid in the court's accounting system. However, these funds were not subsequently deposited into the court's bank account. At least \$221.70 was misappropriated using this method.

The former court clerk was responsible for the administration of the municipal court during the period of these losses. Her duties included scheduling court dates, recording court determinations, collecting fines and forfeitures for the court, making bank deposits, reconciling the court's bank account, and providing assistance to the city clerk as needed. Rediform receipts and court receipts issued by the former court clerk accounted for \$259.70 of the loss. Because of poor internal controls as described below, we were unable to fix responsibility for the remaining \$631.00 in losses to any specific individual. During our interview with the former court clerk, she denied taking any money, but did indicate she felt responsible for the court and would repay any missing funds. The former court clerk resigned on September 30, 1993.

RCW 42.20.070 states:

Every public officer, and every other person receiving money on behalf of or for or on account of the people of the state or of any department of the state government or of any bureau or fund created by law in which the people are directly or indirectly interested, or for on account of any county, city, town or any school, diking, drainage, or irrigation district who:

(1) Shall appropriate to his or own use or the use of any person

not entitled thereto, without authority of law, any money so received by him or her as such officer or otherwise; or

(2) Shall knowingly keep any false account, or make any false entry or erasure in any account, of or relating to any money so received by him or her; or

(3) Shall fraudulently alter, falsify, conceal, destroy or obliterate any such account; or

(4) Shall wilfully omit or refuse to pay over to the state, its officer or agent authorized by law to receive the same, or to such county, city, town, or such school, diking, drainage, or irrigation district or to the proper officer or authority empowered to demand and receive the same, any money received by him or her by law to pay over and account for the same . . .

shall be punished by imprisonment in a state correctional facility for not more than fifteen years.

The following internal control weaknesses allowed this misappropriation to occur in the municipal court and not be detected by management officials in a timely manner:

- a. There was an inadequate segregation of duties. The former court clerk received cash receipts, deposited these funds in the court's bank account and reconciled the account. There was no periodic management review of the work performed by the former court clerk which would have accomplished the same objective as a segregation of duties between two or more employees.
- b. The municipal court judge did not regularly confirm court dispositions with court case receipts.
- c. Bank deposits were not made daily and intact.

We recommend the City of Oakville seek recovery of the misappropriated \$890.70 and related audit/investigation costs from the former court clerk and their insurance bonding company. We further recommend the Washington State Office of the Attorney General and the Gray's Harbor Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and State Auditor as directed by RCW 43.09.260.

Bond coverage for city employees is as follows:

The Hartford Fire Insurance Company  
Cities Insurance Association of Washington  
Public Employee Dishonesty Bond  
Policy No. PEB JM1726  
\$250,000 coverage per loss, with no deductible provision  
January 1, 1992, Until Cancellation

We also recommend the city review overall accounting controls in the municipal court, correct the weaknesses outlined above, and implement an effective system of internal controls designed to ensure the protection of city assets.



2. The Former Court Clerk Received Excess Compensation From The City Of Oakville

Our audit of the payroll records of the City of Oakville revealed that the former court clerk received compensation of \$629.81 in excess of services provided.

When the former court clerk left the city she was paid for 41.6 hours of accumulated vacation and compensatory (comp) time. Payroll records were in poor shape. In some instances the former court clerk had prepared conflicting time summaries for the same time period. However, our reconstruction of payroll records indicated that, at the time of her departure, the former court clerk was due 12 hours of vacation time but owed the city 52.3 hours of comp time. Instead of being paid for 41.6 hours she should have paid the City of Oakville for 40.3 hours. At the former court clerk's hourly rate of \$7.69 this results in an amount due the city of \$629.81.

City Ordinance No. 466 passed on December 14, 1992, set the former court clerk's salary for calendar year 1993 at \$1,000 per month in return for 130 hours of work. City policies did not address how comp time would be managed.

The following internal control weaknesses in the payroll system allowed this overpayment to occur and not be detected by management officials in a timely manner.

- a. There was an inadequate segregation of duties. The city clerk, or the clerk's temporary replacement, was primarily responsible for maintaining all payroll records of city employees. There was no periodic management review of the work performed by the city clerk which would accomplish the same objective as a segregation of duties between two or more employees.
- b. The city did not have a compensatory time policy nor reconciliation procedures to preclude employees from being paid for more compensatory time than they actually accrued.

We recommend the City of Oakville seek recovery of the \$629.81 payroll overpayment from the former court clerk.

We also recommend the city review overall accounting controls in the payroll system, correct the weaknesses outlined above, and implement an effective system of internal control designed to ensure the protection of city assets.